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DEPARTMENT FOR S/CIEA, ISN/NESS, EEB/ESC, EEB/CBA AND NEA/ARP
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SUBJECT: SCENESETTER FOR THE VISIT OF DOE DEPUTY SECRETARY PONEMAN

CLASSIFIED BY AMBASSADOR RICHARD G. OLSON FOR REASONS 1.4 B AND D

11. (U) Mission UAE looks forward to hosting Deputy Secretary of Energy Poneman's December 8-10 visit to Abu Dhabi.

THE UAE AND THE BILATERAL RELATIONSHIP

12. (SBU) In the past five years, the United Arab Emirates has emerged as one of the economic powerhouses of the region (our largest export market in the Middle East) and attained a commensurate level of political influence. The UAE has troops in Afghanistan, is an important political player in Pakistan, and its support is sought by leaders throughout the Middle East, and further afield. Although a tiny country, geographically and demographically, the UAE punches well above its weight class in international circles.

13. (C) Our bilateral relationship has grown from a military to military core (dating back to the 1991 Gulf war) to one in which the full range of USG agencies interact with UAE counterparts on counter-terrorism, economics, law enforcement, even notionally domestic issues like education. The leadership of the UAE knows that it counts on US military power for its security and on US prosperity for its own economic well-being. Our popularity with the general public waxes and wanes (President Obama remains incredibly popular; not so for all of our policies). Consequently, the UAE embraces us privately, while publicly maintaining a more neutral line. Few are fooled.

A COUNTRY BUILT ON OIL AND GAS

14. (C) Most of the UAE's development, particularly in the Emirate of Abu Dhabi, was funded by oil revenues. The hydrocarbon sector was developed years before the UAE was established (1971) and allows the government of this small country the wealth to provide its population with a high standard of living. Today, Abu Dhabi - through state-owned Abu Dhabi National Oil Company (ADNOC) produces at its OPEC quota - approximately 2.2 million barrels per day (mbpd) of oil although production capacity exceeds 2.6 mbpd. Historically, ADNOC's followed a 100 years reserve production policy. However, ADNOC is investing heavily in increased production, largely through the application of advanced recovery technologies its foreign partners have developed, and hopes to achieve 3.5 mbpd by 2017. Abu Dhabi's main export destinations are Japan and South Korea, but China is a growing customer, largely part of a political effort to garner China's support against Iran, the UAE's greatest security threat. ADNOC expects to offer new concessions in 2014 and 2018, potentially allowing U.S. companies to increase market share here.

15. (C) Although the UAE exports about 4 billion standard cubic feet a day (scfd), the UAE's gas deposits are largely associated and a significant portion of production is reinjected for enhanced oil recovery. The UAE has one large sour gas field, Shah, which is being

developed by ADNOC and ConocoPhillips and could yield over 500 million scfd. However, the project is technically challenging and costly and ADNOC is beginning to have doubts the partnership will be successful. Other projects are underway to expand existing gas production, however, much of this is expected to be used for reinjection. The relative shortage of gas is problematic, as domestic production is insufficient to power the UAE's rapid economic development. In 2001, the UAE (then as the UAE Offsets Group and now as Mubadala) entered into a long term gas deal with neighboring Qatar. Named Dolphin Energy, the project currently imports 2 billion scfd by a pipeline designed to deliver 3.2 billion scfd. The UAE would likely import more gas, if current Qatar's gas moratorium was lifted.

¶6. (C) In addition to its oil and gas production, Abu Dhabi-owned companies have also made significant investments in global energy assets. In addition to Dolphin, state-owned investment corporation Mubadala purchased Singapore's Pearl Energy, owns assets across the Middle East and North Africa, and is looking at investment opportunities with Western partners in Iraq. Government-owned International Petroleum Investment Corporation (IPIC) has made both domestic and international investments in refineries, pipelines, and other production facilities. Abu Dhabi Energy Company ("Taqa") has purchased power facilities as far afield as Jamaica, invested in storage in Europe and owns domestic power assets.

...TURNS TO GREEN ENERGY

¶7. (C) In 2007, Abu Dhabi Emirate began a study of the UAE's long term electricity needs and determined that the UAE would be unable to produce enough gas or develop sufficient renewable capacity to meet

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growing demand. After dismissing oil and coal as environmentally unfriendly, Abu Dhabi determined that nuclear power would best serve the Emirate's long-term electricity needs. Recognizing that nuclear power in the Gulf region would be disconcerting to many, the UAE chose to publically renounce uranium enrichment and reprocessing (ENR). In addition to codifying this policy in the US-UAE 123 Agreement, which is expected to go into effect in late November, the UAE's nuclear law (# 6/2009) published in October also bans ENR. The law also established an independent regulator, the Federal Authority for Nuclear Regulation (FANR), which is headed by a former US NRC official (Bill Travers). The program has moved quickly but logically toward awarding a tender for the UAE's first four nuclear power plants. Currently under consideration, the GE/Hitachi bid is facing stiff competition from a well-priced bid from Korea's KEPCO, and a French diplomatic onslaught on behalf of AREVA. Your advocacy for GE's bid would reinforce similar messages delivered by Secretaries Clinton, Locke and Napolitano in October and November.

¶8. (C) Concurrently, Abu Dhabi is also investing heavily in renewable energy. The Government set a target to produce 7 percent of total electricity demand from renewable by 2020, an effort led by Masdar, the Abu Dhabi Future Energy Company, which is owned by Mubadala. Masdar (Arabic for "source") has four main divisions: Masdar Power, Masdar Carbon, Masdar Sustainable Cities and Masdar Institute. The first invests in renewable technologies, the second supports the reduction of carbon emissions, the third develops model zero-carbon, zero-waste cities, like Masdar City in Abu Dhabi, and the last promotes research, through a partnership with MIT. The selection of Abu Dhabi to host the new International Renewable Energy Agency (IRENA) in June 2009 is in part demonstrative of Masdar's success. However, in many ways the company is pushing the limits of current renewable technology. In the longer term, it remains unclear if Masdar will achieve all of its lofty goals.

¶9. (C) Given the billions of dollars Abu Dhabi is investing in the energy industry, protection of these investments is paramount. The Critical National Infrastructure Authority (CNIA) is responsible for this task, and seeks to rapidly develop appropriate expertise and implement advanced security solutions. Given the challenge, CNIA has expressed renewed interest in pursuing greater cooperation with the United States Government, and is currently reviewing a draft agreement for critical energy infrastructure protection cooperation.

THE AGENDA

¶10. (C) U.S. firms are involved in almost all of the UAE's energy initiatives, either as consultants, exporters or innovators. However, we have only scratched the surface of USG collaboration opportunities. The President's Cairo speech highlighted the importance of greater science and technology cooperation with the Muslim world. Your visit presents a unique opportunity to explore UAE interest in such collaboration. While the hydrocarbon sector is largely a private sector endeavor, UAE nuclear and renewable power officials are interested in establishing closer relationships with the USG, and will look to you for advice on potential partners.

¶11. (C) The UAE seeks to be a global energy powerhouse, exploiting its knowledge of global energy markets based on hydrocarbons to benefit new green energy investments. The officials you will meet are invariably young, well-informed and ambitious who strongly believe the United States is an unrivaled strategic partner for the UAE. As there is little doubt the UAE's many energy initiatives will be successful, U.S. involvement has significant benefits.

OLSON